

Office of Small Business Budget Update

Katy Tang · Office of Small Business, Executive Director
Small Business Commission · January 9, 2023



Budget instructions for FY 2023-24 & FY 2024-25

Mayor's Budget Instructions



Focus on public safety, prioritize downtown economic recovery, and support homelessness and mental health investments.

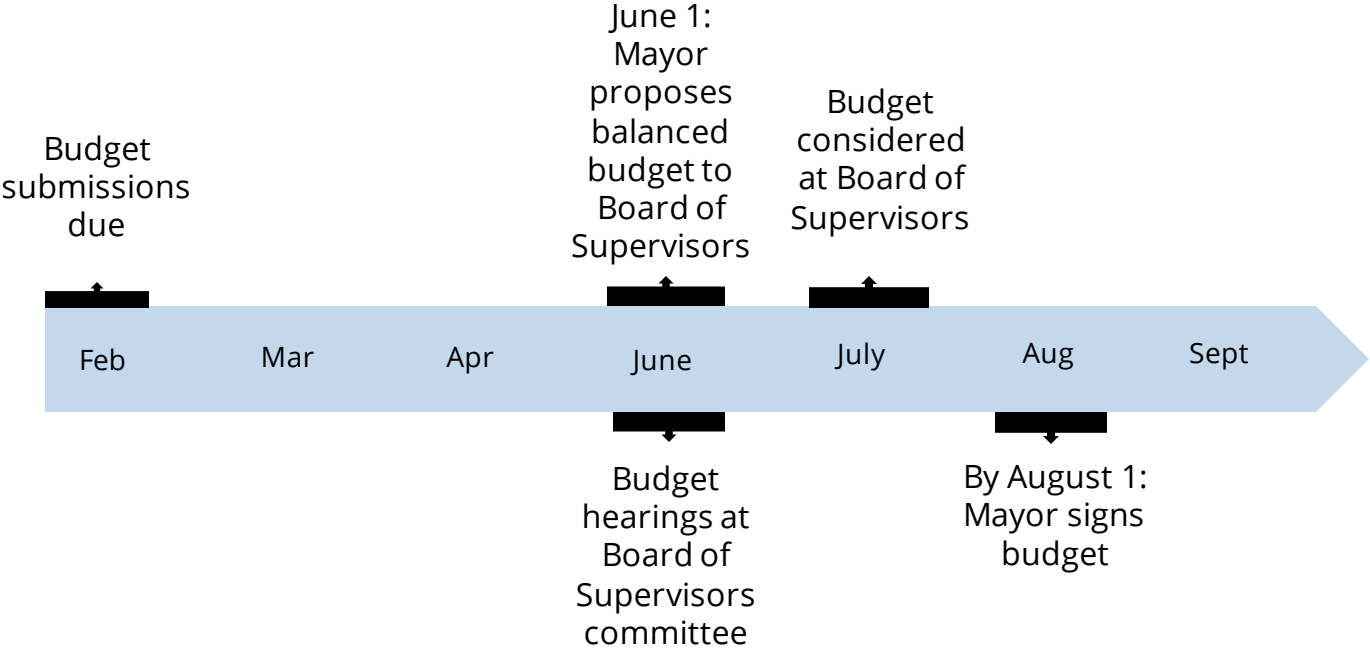


Departments have been asked to propose a 5% budget cut in FY 23-24 and 8% cut in FY 24-25.

Budget context

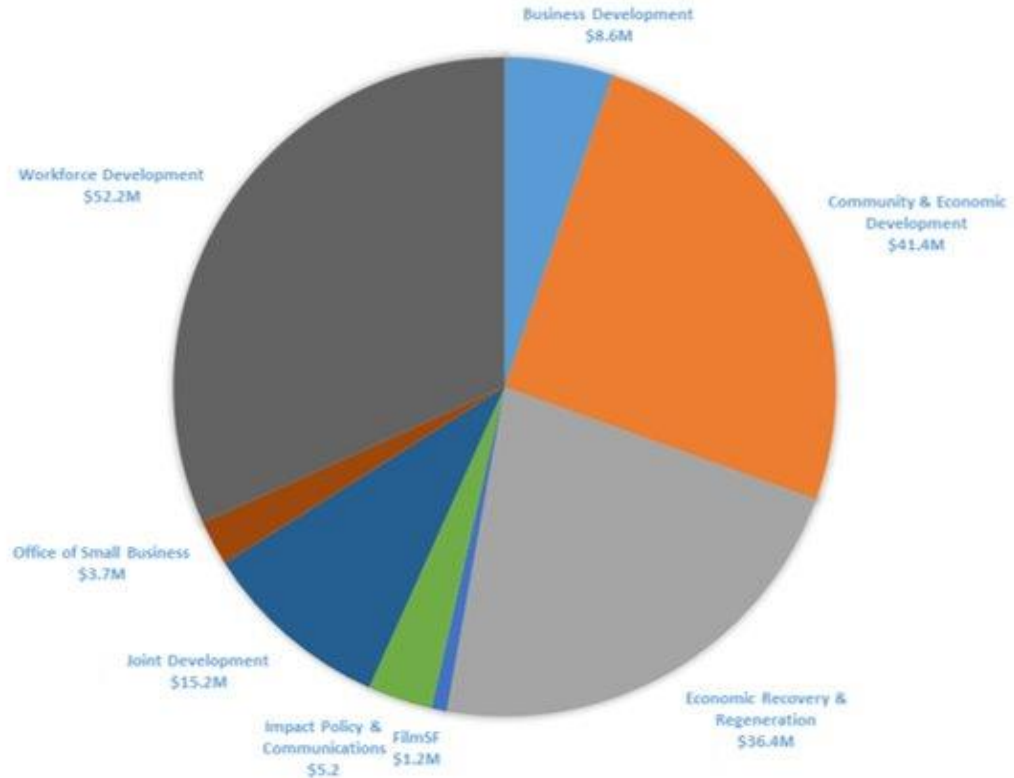
- The last time the City projected a shortfall around this size was two years ago, a year after the pandemic hit. Prior to that, the two-year deficit has not been over \$600 million since around the time of the Great Recession over a decade ago.
- The City is experiencing slowed revenue growth and loss of temporary federal COVID-19 funding
- The City is experiencing slow revenue growth in property and business taxes, which are the largest tax revenue sources.

Budget cycle key dates



The Office of Small Business is a division within the Office of Economic & Workforce Development (OEWD)

OEWD Budget FY 2022-2023



This chart was updated on 1/18/23 to reflect the current fiscal year budget.

FY 21-22 Service Highlights

Counseling and Permit Assistance

4,122

of cases managed by staff

In the four fiscal years prior to the COVID-19 pandemic, case levels had been increasing by 8% to 12% each year. The FY 2021-22 case level is more closely following the pre-pandemic trend and represents a 6% increase in cases since FY 2018-19.

New in 2022



SMALL BUSINESS PERMIT SPECIALISTS

With the addition of two new positions in March 2022, the Office of Small Business has been able to provide a deeper level of support to small businesses needing permits to open or expand in San Francisco. This team also took over management of projects under the streamlined permit review program approved by voters under Proposition H (Nov 2020).

173

of cases
between March – June 2022

*This # is included in
the total # of cases



SMALL BUSINESS DEVELOPMENT CENTER

In 2022, the San Francisco Small Business Development Center (SBDC), a program of the US Small Business Administration, which provides training and counseling to small businesses, became a part of the Office of Small Business. This reorganization has strengthened our partnership and allows us to offer more services.

1,152

of SBDC clients

- 324 Pre-ventures
- 42 Start-ups
- 786 Existing businesses

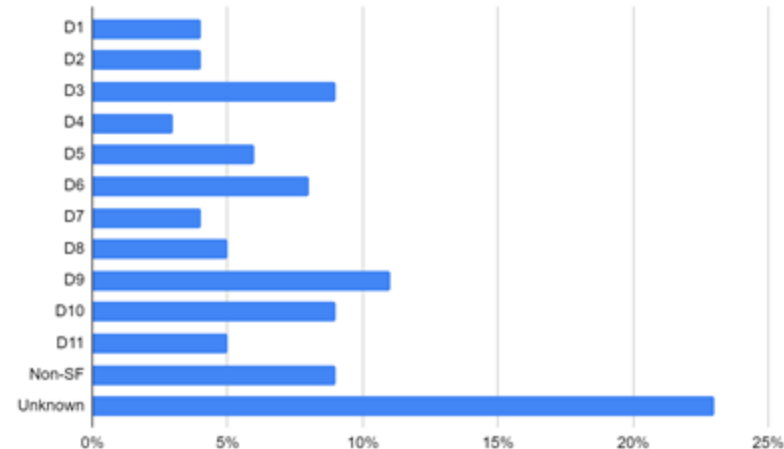
*This # is not included in the total # of cases

FY 21-22 Service Highlights

Who we serve

Case trends for FY 21-22 are consistent with past years, with the majority of cases coming from existing small businesses, followed by those considering starting a new business or in the process of starting one.

Supervisory districts where businesses are located



Unknown: Many entrepreneurs contact our office while in the Pre-start up or Start up phase and do not yet know where they will locate their business

Pre-start up	Start up	Existing	Expanding	Relocating	Acquisition	Closing
24%	24%	41%	4%	1%	3%	3%

New laws help more businesses get permits faster

With voter passage of the Save Our Small Businesses initiative (November 2020) and adoption of the Small Business Recovery Act legislation at the Board of Supervisors (August 2021), a higher percentage of permits for commercial projects have been approved over-the-counter – 88% of which are approved in 30 days or less. Since 2021, over 1,800 commercial projects have been able to get permits over-the-counter.

Additionally, fewer projects require Conditional Use Authorization and noticing, requirements which typically add months to the permitting process.

Health permits for food services, which are the most common type of small businesses, took less than 30 days on average to approve/issue.

Small Business Permit Streamlining Spotlight



Andrea Alfaro

Owner,
El Mil Amores restaurant



My dream of having a restaurant came true. I walked in not knowing what to do or how to start, but was able to get through the permitting process quickly and benefit from the First Year Free program.

Thank you!

FY 21-22 Service Highlights

Legacy Business Program

320

of businesses on the
Legacy Business Registry
(as of September 2022)

27

of businesses added to
the Legacy Business
Registry in FY 21-22



Rent Stabilization Grant

44 grants awarded totaling \$724,863.70

The purpose of the Rent Stabilization Grant is to incentivize landlords to enter into long-term leases with Legacy Businesses. Landlords who provide leases to Legacy Businesses for 10 or more years may receive grants of up to \$4.50 per square foot of space leased per year, with some limitations.



Legacy Business Grant

179 grants awarded totaling \$400,000

Using one-time funding from the Board of Supervisors, the Office of Small Business issued a newly-created Legacy Business Grant to promote the long-term stability of Legacy Businesses and help them remain in the city. Authorized uses of the Legacy Business Grant included tenant improvements, capital improvements, rent, relocation within the city, marketing, professional services, and other activities necessary to support the continuation of businesses as Legacy Businesses.

The Legacy Business Program recognizes longstanding (30 years or longer), community-serving businesses that are valuable cultural assets to the city.

Equity and Application Improvements

This year, we made three key improvements to the Legacy Business Program:

1) Removal of \$50 application fee

We recommended to the Board of Supervisors eliminating the requirement to charge Legacy Business applicants a \$50 administrative fee, which was initially part of the ballot measure creating this program. This was done to remove fees and regulatory barriers that negatively affect small businesses.

1) Application streamlining

We revised the application to make it easier for businesses to apply for the Registry.

1) Focused outreach to prioritized neighborhoods

We analyzed the demographic and geographic representation of the Registry to understand gaps and are focusing outreach in neighborhoods with a disproportionately low number of registered Legacy Businesses.

Policy, Advocacy, Initiatives

01

IMPROVEMENTS TO PERMITTING PROCESS

San Francisco's permitting process can be challenging for almost any type of project. More likely than not, small businesses owners looking to start a new brick-and-mortar location or expand into a new space will need to hire an architect to develop professional plans as part of the permitting process. In some situations, small businesses need permits but are not making any physical changes to their space, yet are required to provide professional plans drawn by architects. Our office worked with the Department of Building Inspection and Planning Department to develop a pathway for small businesses to experience a more streamlined permitting process if no physical changes are being made and certain other requirements are met. More information is available here:

<https://sf.gov/step-by-step/small-business-exception-plan-requirements>

02

FIRST YEAR FREE PROGRAM EXPANSION

The Office of Small Business has provided ongoing support to the Office of the Treasurer and Tax Collector to implement the First Year Free program, which waives various permit and license fees for businesses starting or expanding into a new storefront in San Francisco. Small Business Permit Specialists have helped identify businesses that are eligible for fee waivers. To date, nearly 2,000 businesses have benefited from the program. In November 2022, the Commission worked with Supervisor Ronen's Office to extend the program through June 30, 2023, increase the gross receipts threshold to qualify and expand the type of businesses that qualify. This is an important program as part of San Francisco's economic recovery efforts.

Policy, Advocacy, Initiatives

03

STARTER GUIDES FOR SPECIAL EVENTS

Special events often require numerous permits and coordination between multiple agencies and require significant preparation. Given the interest in creative uses of vacant storefronts, street activations, and festivals as ways to support economic recovery, our office developed step-by-step guides help to navigate the process for putting on such activities. This guide, along with others, is available at: <https://sf.gov/starter-guides-small-businesses>

04

SHARED SPACES PERMANENT PROGRAM

Since the onset of COVID-19, the Small Business Commission has advocated for the creation of the Shared Spaces Program. This past year, the Commission supported legislation to make the Shared Spaces Program a permanent part of the City's streetscape. As restaurants and other Shared Spaces operators modify their structures to comply with health, safety, and building guidelines, the Commission and our office has assisted with outreach to the business community.

Policy, Advocacy, Initiatives

05

RACIAL EQUITY PLAN PROGRESS

The Small Business Commission has completed several major components of the Office of Small Business' Racial Equity Action Plan, including:

- Passage of a Resolution Reaffirming the Commission's commitment to racial equity. The Resolution reviewed the historical role that San Francisco businesses have played in supporting (or opposing) racial equity, leading up to present day advocacy that the Commission has pursued.
- Adoption of the Ohlone Land Acknowledgement in Commission Rules of Order. By incorporating the land acknowledgement into Rules of Order, the Commission is now required to read the acknowledgement at every meeting.
- Adoption of a Racial Equity Tool to evaluate racial equity implications of policy proposals. The Commission created a set of evaluative criteria to use in order to assess the racial equity impacts of each policy proposal that they review.

06

STREET VENDOR PROGRAM OUTREACH

In August 2022, San Francisco launched a Street Vendor Permit Program in response to recent statewide regulations and an ongoing concern about illegal merchandise vending. Our office, in partnership with the Department of Public Works, Department of Public Health, the Office of Economic and Workforce Development, and community organizations, created communications materials in English and Spanish to outline the new permit application and process, and clarify program rules for new street vendors.

Policy, Advocacy, Initiatives

07

GRAFFITI ABATEMENT PILOT PROGRAM

The Small Business Commission collaborated with Supervisor Melgar and Supervisor Stefani to advocate for a proactive City response to graffiti on commercial properties. The newly established Graffiti Abatement Pilot Program allows property owners in neighborhood commercial corridors to opt into graffiti abatement services provided by the City, at no cost to the owner. Small businesses are frequently the victims of graffiti and this program can alleviate the ongoing burden that business owners face when they need to clean up graffiti. Supervisor Melgar secured \$4 million in funding to support a two-year pilot program which launched in December 2022. Our office developed communications and outreach materials to encourage program participation.

08

SHOP DINE SF

Shop Dine SF is an initiative of the Office of Small Business, and the Office of Economic and Workforce Development with a goal to bring attention to local businesses and neighborhood corridors. Spending money at local small businesses helps merchants, creates jobs, and is critical to San Francisco's economic recovery from the COVID-19 pandemic. In December 2022, our office launched a holiday campaign to support San Francisco businesses, curating events and holiday gift guides to make it easier for people to support small businesses. This effort is part of a larger brand refresh of the initiative formerly known as "Shop and Dine in the 49". Our office will continue to inspire locals and visitors to support San Francisco businesses throughout the year. More information is available here: <https://sf.gov/shop-dine-sf>

Strategic Goals for FY 22-23

01

**Support small business
retention and growth**

02

**Attract new small
businesses by making it
easier and faster to open in
San Francisco**

03

**Restore economic
vibrancy in neighborhood
commercial corridors
and economic core**

Small Business Commission Priorities

- Promote policy and legislative solutions to mitigate challenges and support the economic health for San Francisco small businesses.
- Provide a venue for stakeholder engagement through collaboration with a wide range of stakeholders to ensure that small businesses are heard and well supported, especially those from historically marginalized communities.
- Proactively address policy and regulatory issues that directly impact the smallest, most vulnerable businesses.
- Better understand challenges for long-standing businesses.
- Simplify small business applications, permitting and billing processes across departments.
- Serve as a voice in addressing public safety.
- Improve collaboration and relationship-building between merchants and property owners in addressing commercial vacancies.